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ACTION EUR-12

INFO OCT-01 EA-06 IO-10 ISO-00 AF-06 ARA-06 NEA-09 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-01

INR-07 INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 FEAE-00 OMB-01 OIC-02 /126 W

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R 271420Z FEB 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC 5640

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: MEETING OF OECD GROUP ON PREFERENCES,
FEB. 24-25

REF: USEC A-010, FEB. 10, 1975

1. SUMMARY. DISCUSSION OF TITLE V OF TRADE ACT AND US APPROACH TO IMPLEMENTATION OF GENERALIZED SYSTEM OF PREFERENCES (GSP) WAS CENTERPIECE FOR 6TH MEETING OF OECD GROUP ON PREFERENCES. COMMENTS TOUCHED ON TREATMENT OF OPEC COUNTRIES, STATUS OF MEDITERRANEAN COUNTRIES (IN PARTICULAR SPAIN, PORTUGAL, GREECE AND TURKEY) AND HONG KONG, TREATMENT OF FOOTWEAR PRODUCTS, AND FEARS THAT US INTENDING TO USE GSP AS TRADE POLICY INSTRUMENT. US WAS URGED TO PARTICIPATE IN NEXT MEETING OF OECD GROUP OF EXPERTS ON RULES OF ORIGIN SCHEDULED FOR EARLY APRIL. GROUP ON PREFERENCES WILL MEET AGAIN IN EARLY SEPTEMBER TO CONSIDER ANALYSIS OF BURDEN-SHARING AND TO PREPARE FOR NEXT UNCTAD PREFERENCES MEETING. END SUMMARY.

2. IN VIEW OF IMPLEMENTATION OF CANADIAN GSP IN JULY 1974 AND RECENT ENACTMENT OF US TRADE ACT, US AND CANADIAN GSPTS WERE SLATED AS MAIN ITEMS OF DISCUSSION AT MEETING OF PREFERENCES GROUP. CANADIAN DEL WAS UNABLE TO OFFER ANY INFORMATION ON PRACTICAL OPERATIONAL EXPERIENCE AND MERELY REVIEWED MAIN ELEMENTS OF THE SYSTEM. USDEL (DUNFORD) GAVE DETAILED BRIEFING ON TITLE V OF THE TRADE ACT AND OUTLINED, IN GENERAL TERMS, US APPROACH TO DESIGNATION OF BENEFICIARIES AND CONSTRUCTION OF PROPOSED LIST OF PRODUCTS TO BE FURNISHED TO INTERNATIONAL TRADE COMMISSION. US PRESENTATION NOTED THAT, WHILE LEGISLATIVE PROCESS AND IMPLEMENTATION PROCEDURES WERE COMPLEX, ACTUAL OPERATION OF SYSTEM WOULD BE RELATIVELY SIMPLE, SINCE ALL PREFERENTIAL TREATMENT WOULD BE DUTY-FREE. INSTEAD OF GLOBAL CEIL-

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INGS THERE WOULD BE UNIFORM INDIVIDUAL COUNTRY CEILINGS ON THE AMOUNT OF PREFERENTIAL IMPORTS OF PARTICULAR ARTICLES, AND IN MOST CASES A SINGLE VALUE-ADDED PERCENTAGE WOULD APPLY.

3. MORE SIGNIFICANT QUESTIONS AND COMMENTS ON US SYSTEM TOUCHED ON FOLLOWING AREAS:

A. TREATMENT OF OPEC COUNTRIES. USDEL REFERRED TO PRESIDENT'S JANUARY 3 STATEMENT AND INDICATED DESIRE OF ADMINISTRATION TO WORK OUT ANY NECESSARY ACCOMMODATION WITH CONGRESS.

B. TREATMENT OF GATT-LEGITIMATE FREE TRADE AREAS (FTA'S) UNDER SECTION 502(B)(3). USDEL NOTED THAT THE PROVISION DOES NOT DISTINGUISH BETWEEN LEGITIMATE FTA AND OTHER PREFERENTIAL ARRANGEMENTS AND EXPRESSED SCEPTICISM THAT LEGITIMATE FTA COULD EXIST BETWEEN DEVELOPED COUNTRY AND LDC.

C. FOOTWEAR. EC REPRESENTATIVE (TRAN) PLACED GREAT EMPHASIS ON EC LIBERALIZATION OF NON-LEATHER FOOTWEAR UNDER THE GSP AND ASKED OTHER DONOR COUNTRIES TO FOLLOW SUIT. ALL OTHER DELS WHO SPOKE ON THE SUBJECT INCLUDING US, NOTED EXTREME SENSITIVITY OF FOOTWEAR AND HELD OUT LITTLE HOPE FOR LIBERALIZATION UNDER THE GSP AT THIS TIME.

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D. HONG KONG. EC URGED INCLUSION OF HONG KONG IN
US BENEFICIARY LIST.

E. GSP AS AN INSTRUMENT OF COMMERCIAL POLICY.
IN RESPONSE TO CONCERN EXPRESSED BY EC, USDEL NOTED THAT
IT IS OUR INTENTION TO MAINTAIN CLEAR DISTINCTION BE-
TWEEN GSP AND MTN AND THAT US STRONGLY SUPPORTS IDEA
THAT GSP SHOULD NOT BE AN IMPEDIMENT TO MFN TARIFF CUTS.

4. SEVERAL COUNTRIES SPECIFICALLY ASKED THAT CERTAIN
OF THEIR OBSERVATIONS BE CONVEYED TO WASHINGTON. EC
ASKED THAT US MAKE PARTICULAR EFFORT, BEFORE THE BENE-
FICIARY LIST IS IN CONCRETE, TO AVOID DISCRIMINATING
AGAINST CERTAIN COUNTRIES. TURKEY STATED THAT IT WAS
CLEARLY A DEVELOPING COUNTRY AND THAT ITS AGREEMENT WITH
THE EC IS LEGITIMATE UNDER GATT. SPAIN AND PORTUGAL
MADE SIMILAR INTERVENTIONS ASKING THAT THEIR VIEWS AS TO
THEIR STATUS AS DEVELOPING COUNTRIES BE REPORTED TO THE
NEXT TRADE COMMITTEE MEETING. GREEK REP MADE SAME
PITCH INFORMALLY TO USDEL.

5. IMPROVEMENTS IN EXISTING SCHEMES: EC COMMISSION PRESENTED CHANGES IN EC SCHEME WHICH HAVE BEEN REPORTED IN REPAIR. USDEL NOTED SIMILARITY BETWEEN EC CONCEPT OF BENEFIT SHARING AND US COMPETITIVE NEED CEILINGS AND ALSO EXPRESSED MILD CONCERN ABOUT EC TREND TOWARD MANIPULATING MEMBER STATE ALLOCATIONS OF TARIFF QUOTAS SO AS TO FAVOR CERTAIN LDCS AND TO PROTECT CERTAIN MEMBER STATES. JAPANESE DEL MADE BRIEF PRESENTATION NOTING VERY MINOR IMPROVEMENTS IN PRODUCT COVERAGE.

6. RULES OF ORIGIN: CHAIRMAN OF OECD EXPERTS GROUP ON RULES OF ORIGIN (GABRIELSSON OF SWEDEN) GAVE REPORT ON WORK OF GROUP WHICH HAS ENDEAVORED TO HARMONIZE THOSE LIMITED OFFICIAL USE

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SYSTEMS WHICH APPLY A PROCESSING AS OPPOSED TO A VALUE-ADDED CRITERION. GROUP HAS BEEN WORKING ON A DRAFT REPORT TO BE PRESENTED TO UNCTAD. GABRIELSSON EXPRESSED HOPE THAT WORK OF GROUP WOULD NOW INCLUDE SYSTEM OF US AND CANADA TO EXTENT POSSIBLE AND ALSO THAT WORK OF GROUP MIGHT NOW ENCOMPASS QUESTION OF CUMULATIVE TREATMENT. GROUP ON PREFERENCES DECIDED TO CALL FURTHER MEETING OF EXPERTS GROUP DURING SECOND WEEK OF APRIL. USDEL NOTED THAT US CUSTOMS EXPERTS WERE NOW ACTIVELY DEVELOPING THE NECESSARY REGULATIONS FOR THE US SYSTEM AND MAY BE IN A POSITION TO PARTICIPATE MORE ACTIVELY IN EXPERTS GROUP. (ACTION REQUESTED: ARRANGEMENTS SHOULD BE MADE IF POSSIBLE TO HAVE US CUSTOMS EXPERT CONVERSANT WITH ONGOING WORK ON GSP RULES OF ORIGIN ATTEND APRIL MEETING).

7. STATISTICAL INFORMATION: THERE WAS A LENGTHY DISCUSSION OF THE AVAILABILITY (OR LACK THEREOF) OF THE STATISTICAL INFORMATION NECESSARY TO EVALUATE THE OPERATION OF VARIOUS GSP SYSTEMS FOR THE PURPOSE OF ANALYZING BURDEN-SHARING. EC DEFENDED ITS FAILURE TO PROVIDE THE NECESSARY INFORMATION PARTLY AS A RESULT OF THE DIFFICULTY OF COLLECTING SUCH DATA AND PARTLY DUE TO A CONCERN THAT PUBLISHING THIS INFORMATION MIGHT ALARM DOMESTIC PRODUCERS. EC REP ALSO EXPRESSED CONSIDERABLE SCEPTICISM WITH RESPECT TO COMPARABILITY OF STATISTICS. USDEL STRESSED IMPORTANCE OF BURDEN-SHARING (ONE OF THE THREE CONSIDERATIONS CONTAINED IN SECTION 501 OF THE TRADE ACT), NOTED THAT US WOULD MAKE EFFORTS TO PROVIDE NECESSARY INFORMATION AND URGED OTHER DONORS TO DO SAME. EC INDICATED IT WOULD BE PREPARED TO SUPPLY DESIRED INFORMATION BEGINNING WITH 1974 RESULTS AS THEY BECAME AVAILABLE AND PROPOSED MEETING OF EXPERTS TO DISCUSS COMMON FORMAT FOR PRESENTATION OF INFORMATION TO UNCTAD.

8. NEXT MEETING: GROUP DECIDED TO MEET AGAIN IN FIRST
HALF OF SEPTEMBER TO A) CONSIDER IN DEPTH THE PROBLEM
OF INFORMATION COLLECTION AND ANALYSIS FOR BURDEN-
SHARING PROGRAM AND B) TO PREPARE FOR NEXT MEETING OF
UNCTAD SPECIAL COMMITTEE ON PREFERENCES (OCTOBER 20-31).
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Message Attributes

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